

## **Assembly Bill No. 923**

### **CHAPTER 707**

An act to amend, repeal and add Sections 41081, 44225, 44229, 44275, 44280, 44281, 44282, 44283, 44287, and 44299.1 of, and to add and repeal Section 44299.2 of, the Health and Safety Code, to amend, add, and repeal Sections 42885 and 42889 of the Public Resources Code, and to amend, repeal, and add Section 9250.2 of the Vehicle Code, relating to air pollution.

[Approved by Governor September 23, 2004. Filed  
with Secretary of State September 23, 2004.]

#### **LEGISLATIVE COUNSEL'S DIGEST**

**AB 923, Firebaugh. Air pollution.**

(1) Existing law authorizes the district board of the Sacramento Metropolitan Air Quality Management District to adopt a surcharge on motor vehicle registration fees applicable to all motor vehicles registered in the counties within that district. Existing law limits the amount of that surcharge to \$4 for a motor vehicle whose registration expires on or after December 31, 1990. Existing law requires the Department of Motor Vehicles to collect that surcharge, and requires the Sacramento district to implement the air quality improvement strategy adopted by the Sacramento district.

Existing law establishes the Carl Moyer Memorial Air Quality Standards Attainment Program (Carl Moyer program), which provides grants to offset the incremental cost of eligible projects that reduce oxides of nitrogen from heavy-duty mobile sources in the state. Existing regulations adopted by the State Air Resources Board establish the Lower-Emission School Bus Program, which provides grants for the purchase and retrofit of new, lower emitting schoolbuses, and the Voluntary Accelerated Light-Duty Vehicle Retirement Program, which provides incentives for the early retirement of passenger motor vehicles.

This bill would increase that surcharge limit to \$6. The bill would require the Sacramento district to utilize the revenues from \$4 of the surcharge to implement reductions in emissions from vehicular pollution sources, and the revenues from \$2 of the surcharge to implement the Carl Moyer program, the new purchase, retrofit, repower, or add-on of previously unregulated equipment for agricultural sources of air pollution, as specified, the new purchase of schoolbuses pursuant to the Lower-Emission School Bus Program, and an accelerated vehicle retirement or repair program, in order to achieve reductions in emissions

from vehicular sources and offroad engines. The bill would limit the amount of the surcharge used by the district for its administrative expenses to 5% of the funds collected. The bill would preclude use of a project funded under the program for credit under any state or federal emissions averaging, banking, or trading program, would require retirement of those credits as a condition of funding for projects involving new engines, and would also preclude emission reductions under the program from being used as marketable emission reduction credits or to offset emission reduction obligations. Subject to prescribed conditions, the bill would authorize funding under the program for the purchase of low-emission vehicles or equipment that generate surplus emissions reductions.

(2) Existing law authorizes each district that has been designated a state nonattainment area by the state board for any motor vehicle air pollutant, except the Sacramento district, to levy an additional surcharge of not more than \$4 on the registration fees for every motor vehicle registered in that district, as specified by the governing body of the district. Existing law requires the department to collect that surcharge if requested by a district, and requires the department, after deducting its administrative costs, to distribute the revenues to the districts. Existing law requires the districts to use those revenues to reduce air pollution from motor vehicles and to carry out related planning, monitoring, enforcement, and technical studies.

This bill would increase the specified surcharge amount to \$6. The bill would require each district to utilize the revenues resulting from \$2 of the surcharge to implement programs to remediate the air pollution harms caused by motor vehicles under the Carl Moyer program, the new purchase, retrofit, repower, or add-on of equipment for previously unregulated agricultural sources, the new purchase of schoolbuses pursuant to the Lower-Emission School Bus Program, and an accelerated vehicle retirement or repair program. The bill would limit the amount of the surcharge used by the district for its administrative expenses to 5% of the funds collected. The bill would preclude use of a project funded under the program for credit under any state or federal emissions averaging, banking, or trading program, would require retirement of those credits as a condition of funding for projects involving new engines, and would also preclude emission reductions under the program from being used as marketable emission reduction credits or to offset emission reduction obligations. Subject to prescribed conditions, the bill would authorize funding under the program for the purchase of low-emission vehicles or equipment that generate surplus emissions reductions.



(3) Existing provisions of the Carl Moyer program provide grants to offset the incremental costs of eligible projects that reduce emissions of oxides of nitrogen from covered vehicles and covered engines, as defined, in the state.

This bill would expand the types of emissions covered by the Carl Moyer program to include additionally emissions of particulate matter and reactive organic gases from defined covered sources in the state. The bill would require the state board to establish or update criteria and guidelines for covered vehicle projects under the program, as revised by the bill, not later than January 1, 2006, and would authorize separate guidelines and criteria for the different types of eligible projects.

(4) Existing provisions of the Carl Moyer program specify criteria and exclusive categories of projects eligible for funding and, with certain exceptions, preclude funding under the program of any new purchase, retrofit, repower, or add-on equipment that is required by law or a legally binding document of local, state, or federal public entity. Existing law also specifies a scheme for allocation of program funding.

This bill would revise those criteria and the listing of eligible projects, would make the listing illustrative, rather than limiting, and would preclude funding any type of project under the program after the compliance date required by law or a legally binding document of any local, state, or federal public entity. The bill would authorize the state board to establish criteria for funded projects, including requirements respecting minimum project life. The bill would substantially revise existing provisions allocating program funding, including specifying a minimum \$200,000 allocation to each district except the South Coast Air Quality Management District. The bill would specify criteria and administrative terms and conditions for allocation of program funding among districts.

(5) Existing provisions of the Carl Moyer program require that the cost-effectiveness of project grants exceed \$12,000 per ton of nitrogen oxides reduction.

This bill would reduce that standard to \$13,600 per ton, and would require the state board to determine appropriate adjustment factors to calculate weighted cost-effectiveness for projects obtaining reductions in emissions of particulate matter and reactive organic gasses.

(6) Existing law imposes a California tire fee amount on every person who purchases a new tire for use for prescribed purposes related to disposal and use of used tires. Existing law limits use of these moneys for administrative overhead to 5% of total revenue or as specified in the annual Budget Act. Under existing law, the tire fee is \$1 per tire prior to January 1, 2007, and 75¢ thereafter.



This bill would increase the tire fee applicable on and after January 1, 2005, to \$1.75 per tire, and would, commencing January 1, 2007, reduce that fee to \$1.50 per tire. The bill would require that, commencing January 1, 2005, and until December 31, 2006, of the revenues generated by the imposition of the fee, an amount equal to 75¢ per tire on which the fee is imposed be deposited in the Air Pollution Control Fund for use by the state board and the districts to fund programs and projects that mitigate or remediate air pollution caused by tires in the state, to the extent that the state board or applicable district determines that the program or project mitigates or remediates air pollution harms created by tires upon which the California tire fee is imposed. The bill would decrease the amount to be deposited in the Air Pollution Control Fund, commencing January 1, 2007, to an amount equal to 50¢ per tire on which the fee is imposed, as specified. The bill would require the remaining revenues resulting from the imposition of the tire fee to be deposited in the California Tire Recycling Management Fund for use to fund the existing waste tire program. The bill would increase the amount of moneys appropriated for the waste tire program that may be used for administrative overhead from 5% to 6%.

(7) All changes made by the bill would be repealed on January 1, 2015.

*The people of the State of California do enact as follows:*

SECTION 1. The Legislature hereby finds and declares all of the following:

(a) California's urban and rural areas suffer from severe air pollution problems caused in significant part by the operation of motor vehicles, emissions from heavy-duty commercial vehicles moving goods, and the operation of off road engines and diesel-powered farm equipment. The continuation and expansion of incentive programs to reduce emissions from these sources is crucial to protecting public health and achieving health-based air quality standards in the most heavily polluted parts of California.

(b) The State Air Resources Board and the local air quality management districts and air pollution control districts should adopt and implement programs to achieve the maximum feasible and cost effective emission reductions from vehicular sources and off road engines, in order to meet health-based air quality standards by the earliest practicable date, and to reduce the risk to public health from toxic air contaminants that are produced by these sources.

(c) Predictable, sustained, and long-term funding, is necessary to provide incentives to achieve further reductions of emissions from



mobile source pollution that go beyond what can be achieved with traditional “command-and-control” regulations on motor vehicles and stationary sources.

(d) Internal combustion engines are the single largest source of air pollution threatening the public health and environment of all Californians. The combustion of petroleum fuels produces smog-forming pollutants such as NO<sub>x</sub> and hydrocarbons, as well as particulate matter, the inhalation of which can cause lung damage, cancer, and respiratory illness.

(e) Much of California, including all of its urban areas, fails to meet state and federal ambient air quality standards for ozone, a main component of smog. Children are especially susceptible to developing lung damage and chronic respiratory illness associated with living near ports, industrial sites, freeways, and other areas with high concentrations of diesel particulate matter. Asthma is one of the leading causes of hospital visits and admissions for children in California. Asthma prevalence has increased by 75 percent in California since 1980. For children, in particular, this translates to increased vulnerability to poor air quality days and corresponding school absences.

(f) Motor vehicle owners, along with the producers of gasoline and diesel fuels, and owners of other sources of emissions, should all contribute to a fair and balanced funding program that will achieve critically important reductions in emissions that otherwise cannot be obtained, and that are needed to protect the public health and environment of California.

(g) Existing stationary sources and new motor vehicle emissions have been reduced significantly and greater focus is now required to reduce emissions from those sources that have not been subject to similar controls with specific emphasis on in-use higher emitting vehicles.

SEC. 2. Section 41081 of the Health and Safety Code is amended to read:

41081. (a) Subject to Article 3.7 (commencing with Section 53720) of Chapter 4 of Part 1 of Division 2 of Title 5 of the Government Code, or with the approval of the board of supervisors of each county included, in whole or in part, within the Sacramento district, the Sacramento district board may adopt a surcharge on the motor vehicle registration fees applicable to all motor vehicles registered in those counties within the Sacramento district whose boards of supervisors have adopted a resolution approving the surcharge. The surcharge shall be collected by the Department of Motor Vehicles and, after deducting the department’s administrative costs, the remaining funds shall be transferred to the Sacramento district. Prior to the adoption of any surcharge pursuant to this subdivision, the district board shall make a



finding that any funds allocated to the district as a result of the adoption of a county transportation sales and use tax are insufficient to carry out the purposes of this chapter.

(b) The surcharge shall not exceed six dollars (\$6).

(c) After consulting with the Department of Motor Vehicles on the feasibility thereof, the Sacramento district board may provide, in the surcharge adopted pursuant to subdivision (a), to exempt from all or part of the surcharge any category of low-emission motor vehicle.

(d) Funds received by the Sacramento district pursuant to this section shall be used by that district as follows:

(1) The revenues resulting from the first four dollars (\$4) of each surcharge shall be used to implement reductions in emissions from vehicular sources, including, but not limited to, a clean fuels program and motor vehicle use reduction measures.

(2) The revenues resulting from the next two dollars (\$2) of each surcharge shall be used to implement the following programs that achieve emission reductions from vehicular sources and off-road engines, to the extent that the district determines the program remediates air pollution harms created by motor vehicles on which the surcharge is imposed:

(i) Projects eligible for grants under the Carl Moyer Memorial Air Quality Standards Attainment Program (Chapter 9 (commencing with Section 44275) of Part 5).

(ii) The new purchase, retrofit, repower, or add-on of equipment for previously unregulated agricultural sources of air pollution, as defined in Section 39011.5, within the Sacramento district, for a minimum of three years from the date of adoption of an applicable rule or standard, or until the compliance date of that rule or standard, whichever is later, if the state board has determined that the rule or standard complies with Sections 40913, 40914, and 41503.1, after which period of time, a new purchase, retrofit, repower, or add-on of equipment shall not be funded pursuant to this chapter. The district shall follow any guidelines developed under subdivision (a) of Section 44287 for awarding grants under this program.

(iii) The new purchase of schoolbuses pursuant to the Lower-Emission School Bus Program adopted by the state board.

(iv) An accelerated vehicle retirement or repair program that is adopted by the state board pursuant to authority granted hereafter by the Legislature by statute.

(e) Not more than 5 percent of the funds collected pursuant to this section shall be used by the district for administrative expenses.

(f) No project funded by the program shall be used for credit under any state or federal emissions averaging, banking, or trading program.

No emission reduction generated by the program shall be used as marketable emission reduction credits or to offset any emission reduction obligation of any person or entity. Projects involving new engines that would otherwise generate marketable credits under state or federal averaging, banking, and trading programs shall include transfer of credits to the engine end user and retirement of those credits toward reducing air emissions in order to qualify for funding under the program. A purchase of a low-emission vehicle or of equipment pursuant to a corporate or a controlling board's policy, but not otherwise required by law, shall generate surplus emissions reductions and may be funded by the program.

(g) This section shall remain in effect only until January 1, 2015, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2015, deletes or extends that date.

SEC. 2.5. Section 41081 is added to the Health and Safety Code, to read:

41081. (a) Subject to Article 3.7 (commencing with Section 53720) of Chapter 4 of Part 1 of Division 2 of Title 5 of the Government Code, or with the approval of the board of supervisors of each county included, in whole or in part, within the Sacramento district, the Sacramento district board may adopt a surcharge on the motor vehicle registration fees applicable to all motor vehicles registered in those counties within the Sacramento district whose boards of supervisors have adopted a resolution approving the surcharge. The surcharge shall be collected by the Department of Motor Vehicles and, after deducting the department's administrative costs, the remaining funds shall be transferred to the Sacramento district. Prior to the adoption of any surcharge pursuant to this subdivision, the district board shall make a finding that any funds allocated to the district as a result of the adoption of a county transportation sales and use tax are insufficient to carry out the purposes of this chapter.

(b) The surcharge shall not exceed two dollars (\$2) for each motor vehicle whose registration expires on or after December 31, 1989, and prior to December 31, 1990. For each motor vehicle whose registration expires on or after December 31, 1990, the surcharge shall not exceed four dollars (\$4).

(c) After consulting with the Department of Motor Vehicles on the feasibility thereof, the Sacramento district board may provide, in the surcharge adopted pursuant to subdivision (a), to exempt from all or part of the surcharge any category of low-emission motor vehicle.

(d) Funds received by the Sacramento district pursuant to this section shall be used to implement the strategy with respect to the reduction in emissions from vehicular sources, including, but not limited to, a clean





fuels program and motor vehicle use reduction measures. Not more than 5 percent of the funds collected pursuant to this section shall be used by the district for administrative expenses.

(e) This section shall become operative on January 1, 2015.

SEC. 3. Section 44225 of the Health and Safety Code is amended to read:

44225. A district may increase the fee established under Section 44223 to up to six dollars (\$6). A district may increase the fee only if the following conditions are met:

(a) A resolution providing for both the fee increase and a corresponding program for expenditure of the increased fees for the reduction of air pollution from motor vehicles pursuant to, and for related planning, monitoring, enforcement, and technical studies necessary for the implementation of, the California Clean Air Act of 1988 is adopted and approved by the governing board of the district.

(b) In districts with nonelected officials on their governing boards, the resolution shall be adopted and approved by both a majority of the governing board and a majority of the board members who are elected officials.

(c) An increase in fees established pursuant to this section shall become effective on either April 1 or October 1, as provided in the resolution adopted by the board pursuant to subdivision (a).

(d) This section shall remain in effect only until January 1, 2015, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2015, deletes or extends that date.

SEC. 3.5. Section 44225 is added to the Health and Safety Code, to read:

44225. On and after April 1, 1992, a district may increase the fee established under Section 44223 to up to four dollars (\$4). A district may increase the fee only if the following conditions are met:

(a) A resolution providing for both the fee increase and a corresponding program for expenditure of the increased fees for the reduction of air pollution from motor vehicles pursuant to, and for related planning, monitoring, enforcement, and technical studies necessary for the implementation of, the California Clean Air Act of 1988 is adopted and approved by the governing board of the district.

(b) In districts with nonelected officials on their governing boards, the resolution shall be adopted and approved by both a majority of the governing board and a majority of the board members who are elected officials.

(c) An increase in fees established pursuant to this section shall become effective on either April 1 or October 1, as provided in the resolution adopted by the board pursuant to subdivision (a).





(d) This section shall become operative on January 1, 2015.

SEC. 4. Section 44229 of the Health and Safety Code is amended to read:

44229. (a) After deducting all administrative costs it incurs through collection of fees pursuant to Section 44227, the Department of Motor Vehicles shall distribute the revenues to districts, which shall use the revenues resulting from the first four dollars (\$4) of each fee imposed to reduce air pollution from motor vehicles and to carry out related planning, monitoring, enforcement, and technical studies necessary for implementation of the California Clean Air Act of 1988. Fees collected by the Department of Motor Vehicles pursuant to this chapter shall be distributed to districts based upon the amount of fees collected from motor vehicles registered within each district.

(b) Notwithstanding the provisions of Section 44241 and Section 44243, a district shall use the revenues resulting from the next two dollars (\$2) of each fee imposed pursuant to Section 44227 to implement the following programs that the district determines remediate air pollution harms created by motor vehicles on which the surcharge is imposed:

(1) Projects eligible for grants under the Carl Moyer Memorial Air Quality Standards Attainment Program (Chapter 9 (commencing with Section 44275) of Part 5).

(2) The new purchase, retrofit, repower, or add-on equipment for previously unregulated agricultural sources of air pollution, as defined in Section 39011.5, for a minimum of three years from the date of adoption of an applicable rule or standard, or until the compliance date of that rule or standard, whichever is later, if the state board has determined that the rule or standard complies with Sections 40913, 40914, and 41503.1, after which period of time, a new purchase, retrofit, repower, or add-on of equipment shall not be funded pursuant to this chapter. The districts shall follow any guidelines developed under subdivision (a) of Section 44287 for awarding grants under this program.

(3) The new purchase of schoolbuses pursuant to the Lower-Emission School Bus Program adopted by the state board.

(4) An accelerated vehicle retirement or repair program that is adopted by the state board pursuant to authority granted hereafter by the Legislature by statute.

(c) The Department of Motor Vehicles may annually expend not more than the following percentages of the fees collected pursuant to Section 44227 on administrative costs:

(1) During the first year after the operative date of this chapter, not more than 5 percent of the fees collected may be used for administrative costs.

(2) During the second year after the operative date of this chapter, not more than 3 percent of the fees collected may be used for administrative costs.

(3) During any year subsequent to the second year after the operative date of this chapter, not more than 1 percent of the fees collected may be used for administrative costs.

(d) No project funded by the program shall be used for credit under any state or federal emissions averaging, banking, or trading program. No emission reduction generated by the program shall be used as marketable emission reduction credits or to offset any emission reduction obligation of any person or entity. Projects involving new engines that would otherwise generate marketable credits under state or federal averaging, banking, and trading programs shall include transfer of credits to the engine end user and retirement of those credits toward reducing air emissions in order to qualify for funding under the program. A purchase of a low-emission vehicle or of equipment pursuant to a corporate or a controlling board's policy, but not otherwise required by law, shall generate surplus emissions reductions and may be funded by the program.

(e) This section shall remain in effect only until January 1, 2015, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2015, deletes or extends that date.

SEC. 4.5. Section 44229 is added to the Health and Safety Code, to read:

44229. (a) After deducting all administrative costs it incurs through collection of fees pursuant to Section 44227, the Department of Motor Vehicles shall distribute the revenues to districts which shall use the fees to reduce air pollution from motor vehicles and to carry out related planning, monitoring, enforcement, and technical studies necessary for implementation of the California Clean Air Act of 1988. Fees collected by the Department of Motor Vehicles pursuant to this chapter shall be distributed to districts based upon the amount of fees collected from motor vehicles registered within each district.

(b) The Department of Motor Vehicles may annually expend not more than the following percentages of the fees collected pursuant to Section 44227 on administrative costs:

(1) During the first year after the operative date of this chapter, not more than 5 percent of the fees collected may be used for administrative costs.

(2) During the second year after the operative date of this chapter, not more than 3 percent of the fees collected may be used for administrative costs.



(3) During any year subsequent to the second year after the operative date of this chapter, not more than 1 percent of the fees collected may be used for administrative costs.

(c) This section shall become operative on January 1, 2015.

SEC. 5. Section 44275 of the Health and Safety Code is amended to read:

44275. (a) As used in this chapter, the following terms have the following meanings:

(1) “Advisory board” means the Carl Moyer Program Advisory Board created by Section 44297.

(2) “Btu” means British thermal unit.

(3) “Commission” means the State Energy Resources Conservation and Development Commission.

(4) “Cost-effectiveness” means dollars provided to a project pursuant to subdivision (d) of Section 44283 for each ton of covered emission reduction attributed to a project or to the program as a whole. In calculating cost-effectiveness, one-time grants of funds made at the beginning of a project shall be annualized using a time value of public funds or discount rate determined for each project by the state board, taking into account the interest rate on bonds, interest earned by state funds, and other factors as determined appropriate by the state board. Cost-effectiveness shall be calculated by dividing annualized costs by average annual emissions reduction. The state board, in consultation with the districts and concerned members of the public, shall establish appropriate cost effective limits for oxides of nitrogen, particulate matter, and reactive organic gases and a reasonable system for comparing the cost-effectiveness of proposed projects as described in subdivision (a) of Section 44283.

(5) “Covered emissions” include emissions of oxides of nitrogen, particulate matter, and reactive organic gases from any covered source.

(6) “Covered engine” includes any internal combustion engine or electric motor and drive powering a covered source.

(7) “Covered source” includes onroad vehicles offroad nonrecreational equipment and vehicles, locomotives, diesel marine vessels, agricultural sources of air pollution, as defined in Section 39011.5, and, as determined by the state board, other high-emitting engine categories.

(8) “Covered vehicle” includes any vehicle or piece of equipment powered by a covered engine.

(9) “District” means a county air pollution control district or an air quality management district.

(10) “Fund” means the Carl Moyer Memorial Air Quality Standards Attainment Trust Fund created by Section 44299.



(11) “Mobile Source Air Pollution Reduction Review Committee” means the Mobile Source Air Pollution Reduction Review Committee created by Section 44244.

(12) “Incremental cost” means the cost of the project less a baseline cost that would otherwise be incurred by the applicant in the normal course of business. Incremental costs may include added lease or fuel costs pursuant to Section 44283 as well as incremental capital costs.

(13) “New very low emission vehicle” means a heavy-duty vehicle that qualifies as a very low emission vehicle when it is a new vehicle, where new vehicle has the same meaning as defined in Section 430 of the Vehicle Code, or that is modified with the approval and warranty of the original equipment manufacturer to qualify as a very low emission vehicle within 12 months of delivery to an owner for private or commercial use.

(14) “NO<sub>x</sub>” means oxides of nitrogen.

(15) “Program” means the Carl Moyer Memorial Air Quality Standards Attainment Program created by subdivision (a) of Section 44280.

(16) “Repower” means replacing an engine with a different engine. The term repower, as used in this chapter, generally refers to replacing an older, uncontrolled engine with a new, emissions-certified engine, although replacing an older emissions-certified engine with a newer engine certified to lower emissions standards may be eligible for funding under this program.

(17) “Retrofit” means making modifications to the engine and fuel system such that the retrofitted engine does not have the same specifications as the original engine.

(18) “Very low emission vehicle” means a heavy-duty vehicle with emissions significantly lower than otherwise applicable baseline emission standards or uncontrolled emission levels pursuant to Section 44282.

(b) This section shall remain in effect only until January 1, 2015, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2015, deletes or extends that date.

SEC. 5.5. Section 44275 is added to the Health and Safety Code, to read:

44275. (a) As used in this chapter, the following terms have the following meaning:

(1) “Advisory board” means the Carl Moyer Program Advisory Board created by Section 44297.

(2) “Btu” means British thermal unit.

(3) “Commission” means the State Energy Resources Conservation and Development Commission.



(4) “Cost-effectiveness” means dollars provided to a project pursuant to subdivision (d) of Section 44283 for each ton of NO<sub>x</sub> reduction attributed to a project or to the program as a whole. In calculating cost-effectiveness, one-time grants of funds made at the beginning of a project shall be annualized using a time value of public funds or discount rate determined for each project by the state board, taking into account the interest rate on bonds, interest earned by state funds, and other factors as determined appropriate by the state board. Cost-effectiveness shall be calculated by dividing annualized costs by average annual emissions reduction of NO<sub>x</sub> in this state.

(5) “Covered engine” includes any internal combustion engine or electric motor and drive powering a covered source.

(6) “Covered source” includes onroad vehicles of 14,000 pounds GVWR or greater, offroad nonrecreational equipment and vehicles, locomotives, diesel marine vessels, stationary agricultural engines, and, as determined by the state board, other high-emitting diesel engine categories.

(7) “Covered vehicle” includes any vehicle or piece of equipment powered by a covered engine.

(8) “District” means a county air pollution control district or an air quality management district.

(9) “Fund” means the Carl Moyer Memorial Air Quality Standards Attainment Trust Fund created by Section 44299.

(10) “Mobile Source Air Pollution Reduction Review Committee” means the Mobile Source Air Pollution Reduction Review Committee created by Section 44244.

(11) “Incremental cost” means the cost of the project less a baseline cost that would otherwise be incurred by the applicant in the normal course of business. Incremental costs may include added lease or fuel costs pursuant to Section 44283 as well as incremental capital costs.

(12) “New very low emission vehicle” means a vehicle that qualifies as a very low emission vehicle when it is a new vehicle, where new vehicle has the same meaning as defined in Section 430 of the Vehicle Code, or that is modified with the approval and warranty of the original equipment manufacturer to qualify as a very low emission vehicle within 12 months of delivery to an owner for private or commercial use.

(13) “NO<sub>x</sub>” means oxides of nitrogen.

(14) “Program” means the Carl Moyer Memorial Air Quality Standards Attainment Program created by subdivision (a) of Section 44280.

(15) “Repower” means replacing an engine with a different engine. The term repower, as used in this chapter, generally refers to replacing an older, uncontrolled engine with a new, emissions-certified engine,



although replacing an older emissions-certified engine with a newer engine certified to lower emissions standards may be eligible for funding under this program.

(16) “Retrofit” means making modifications to the engine and fuel system such that the retrofitted engine does not have the same specifications as the original engine.

(17) “Very low emission vehicle” means a vehicle with emissions significantly lower than otherwise applicable baseline emission standards or uncontrolled emission levels pursuant to Section 44282.

(b) This section shall become operative on January 1, 2015.

SEC. 6. Section 44280 of the Health and Safety Code is amended to read:

44280. (a) There is hereby created the Carl Moyer Memorial Air Quality Standards Attainment Program. The program shall be administered by the state board in accordance with this chapter. The administration of the program may be delegated to the districts.

(b) The program shall provide grants to offset the incremental cost of projects that reduce covered emissions from covered sources in California. Eligibility for grant awards shall be determined by the state board, in consultation with the districts, in accordance with this chapter.

(c) The program shall also provide funding for a fueling infrastructure demonstration program and for technology development efforts that are expected to result in commercially available technologies in the near-term that would improve the ability of the program to achieve its goals. The infrastructure demonstration and technology development portions of the program shall be managed by the commission, in consultation with the state board.

(d) This section shall remain in effect only until January 1, 2015, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2015, deletes or extends that date.

SEC. 6.5. Section 44280 is added to the Health and Safety Code, to read:

44280. (a) There is hereby created the Carl Moyer Memorial Air Quality Standards Attainment Program. The program shall be administered by the state board in accordance with this chapter. The administration of the program may be delegated to the districts.

(b) The program shall provide grants to offset the incremental cost of projects that reduce emissions of NO<sub>x</sub> from covered sources in California. Eligibility for grant awards shall be determined by the state board, in consultation with the districts, in accordance with this chapter.

(c) The program shall also provide funding for a fueling infrastructure demonstration program and for technology development efforts that are expected to result in commercially available technologies in the



near-term that would improve the ability of the program to achieve its goals. The infrastructure demonstration and technology development portions of the program shall be managed by the commission, in consultation with the state board.

(d) This section shall become operative on January 1, 2015.

SEC. 7. Section 44281 of the Health and Safety Code is amended to read:

44281. (a) Eligible projects include, but are not limited to, any of the following:

(1) Purchase of new very low or zero-emission covered vehicles or covered heavy-duty engines.

(2) Emission-reducing retrofit of covered engines, or replacement of old engines powering covered sources with newer engines certified to more stringent emissions standards than the engine being replaced, or with electric motors or drives.

(3) Purchase and use of emission-reducing add-on equipment that has been verified by the state board for covered vehicles.

(4) Development and demonstration of practical, low-emission retrofit technologies, repower options, and advanced technologies for covered engines and vehicles with very low emissions of oxides of nitrogen.

(5) Light- and medium-duty vehicle projects in compliance with guidelines adopted by the state board pursuant to Title 13 of the California Code of Regulations.

(b) No project shall be funded under this chapter after the compliance date required by any local, state, or federal statute, rule, regulation, memoranda of agreement or understanding, or other legally binding document, except that an otherwise qualified project may be funded even if the State Implementation Plan assumes that the change in equipment, vehicles, or operations will occur, if the change is not required by the compliance date of a statute, regulation, or other legally binding document in effect as of the date the grant is awarded. No project funded by the program shall be used for credit under any state or federal emissions averaging, banking, or trading program. No emission reduction generated by the program shall be used as marketable emission reduction credits or to offset any emission reduction obligation of any person or entity. Projects involving new engines that would otherwise generate marketable credits under state or federal averaging, banking, and trading programs shall include transfer of credits to the engine end user and retirement of those credits toward reducing air emissions in order to qualify for funding under the program. A purchase of a low-emission vehicle or of equipment pursuant to a corporate or a controlling board's policy, but not otherwise required by law, shall





generate surplus emissions reductions and may be funded by the program.

(c) The program may also provide funding toward installation of fueling or electrification infrastructure as provided in Section 44284.

(d) Eligible applicants may be any individual, company, or public agency that owns one or more covered vehicles that operate primarily within California or otherwise contribute substantially to the NO<sub>x</sub>, PM or ROG emissions inventory in California.

(e) It is the intent of the Legislature that all emission reductions generated by this chapter shall contribute to public health by reducing, for the life of the vehicle being funded, the total amount of emissions in California.

(f) This section shall remain in effect only until January 1, 2015, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2015, deletes or extends that date.

SEC. 7.5. Section 44281 is added to the Health and Safety Code, to read:

44281. (a) Eligible projects are any of the following:

(1) Purchase of new very low or zero-emission covered vehicles or covered engines.

(2) Emission-reducing retrofit of covered engines, or replacement of old engines powering covered sources with newer engines certified to more stringent emissions standards than the engine being replaced, or with electric motors or drives.

(3) Purchase and use of emission-reducing add-on equipment for covered vehicles.

(4) Development and demonstration of practical, low-emission retrofit technologies, repower options, and advanced technologies for covered engines and vehicles with very low emissions of oxides of nitrogen.

(b) No new purchase, retrofit, repower, or add-on equipment shall be funded under this chapter if it is required by any local, state, or federal statute, rule, regulation, memoranda of agreement or understanding, or other legally binding document, except that an otherwise qualified project may be funded even if the State Implementation Plan assumes that the change in equipment, vehicles, or operations will occur, if the change is not required by a statute, regulation, or other legally binding document in effect as of the date the grant is awarded. No project funded by the program shall be used for credit under any state or federal emissions averaging, banking, or trading program. No emission reduction generated by the program shall be used as marketable emission reduction credits or to offset any emission reduction obligation of any entity. Projects involving new engines that would otherwise generate



marketable credits under state or federal averaging, banking, and trading programs shall include transfer of credits to the engine end user and retirement of those credits toward reducing air emissions in order to qualify for funding under the program. A purchase of a low-emission vehicle or of equipment pursuant to a corporate or a controlling board's policy, but not otherwise required by law, shall generate surplus emissions reductions and may be funded by the program.

(c) The program may also provide funding toward installation of fueling or electrification infrastructure as provided in Section 44284.

(d) Eligible applicants may be any individual, company, or public agency that owns one or more covered vehicles that operate primarily within California or otherwise contribute substantially to the NO<sub>x</sub> emissions inventory in California.

(e) It is the intent of the Legislature that all emission reductions generated by this chapter shall contribute to public health by reducing, for the life of the vehicle being funded, the total amount of emissions in California.

(f) This section shall become operative on January 1, 2015.

SEC. 8. Section 44282 of the Health and Safety Code is amended to read:

44282. The following criteria apply to all projects to be funded through the program except for projects funded through the Advanced Technology Account and the Infrastructure Demonstration Program:

(a) The state board may establish project criteria, including minimum project life for source categories, in the guidelines described in Section 44287. For previously unregulated source categories, project criteria shall consider the timing of newly established regulatory requirements.

(b) To be eligible, projects shall meet the cost-effectiveness per ton of covered emissions reduced requirements of Section 44283.

(c) To be eligible, retrofits, repowers, and installation of add-on equipment for covered vehicles shall be performed, or new covered vehicles delivered to the end user, or covered vehicles scrapped on or after the date the program is implemented.

(d) Retrofit technologies, new engines, and new vehicles shall be certified for sale or under experimental permit for operation in California.

(e) Repower projects that replace older, uncontrolled engines with new, emissions-certified engines or that replace emissions-certified engines with new engines certified to a more stringent NO<sub>x</sub> emissions standard are approvable subject to the other applicable selection criteria. The state board shall determine appropriate baseline emission levels for the uncontrolled engines being replaced.



(f) For heavy-duty-vehicle projects, retrofit and add-on equipment projects shall document a NO<sub>x</sub> or PM emission reduction of at least 25 percent and no increase in other covered emissions compared to the applicable baseline emissions accepted by the state board for that engine year and application. The state board shall determine appropriate baseline emission levels. Acceptable documentation shall be defined by the state board. After study of available emission reduction technologies and after public notice and comment, the state board may revise the minimum percentage emission reduction criterion for retrofits and add-on equipment provided for in this section to improve the ability of the program to achieve its goals.

(g) (1) For heavy-duty-vehicle projects involving the purchase of new very low or zero-emission vehicles, engines shall be certified to an optional low NO<sub>x</sub> emissions standard established by the state board, except as provided for in paragraph (2).

(2) For heavy-duty-vehicle projects involving the purchase of new very low or zero-emission covered vehicles for which no optional low NO<sub>x</sub> emission standards are available, documentation shall be provided showing that the low or zero-emission engine emits not more than 70 percent of the NO<sub>x</sub> or NO<sub>x</sub> plus hydrocarbon emissions of a new engine certified to the applicable baseline NO<sub>x</sub> or NO<sub>x</sub> plus hydrocarbon emission standard for that engine and meets applicable particulate standards. The state board shall specify the documentation required. If no baseline emission standard exists for new vehicles in a particular category, the state board shall determine an appropriate baseline emission level for comparison.

(h) For projects other than heavy-duty-vehicle projects, the state board shall determine appropriate criteria under the provisions of Section 44287.

(i) This section shall remain in effect only until January 1, 2015, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2015, deletes or extends that date.

SEC. 8.5. Section 44282 is added to the Health and Safety Code, to read:

44282. The following criteria apply to all projects to be funded through the program except for projects funded through the Advanced Technology Account and the Infrastructure Demonstration Program:

(a) Except for projects involving marine vessels, 75 percent or more of vehicle miles traveled or hours of operation shall be projected to be in California for at least five years following the grant award. Projects involving marine vessels and engines shall be limited to those that spend enough time operating in California air basins over the lifetime of the



project to meet the cost-effectiveness criteria based on NO<sub>x</sub> reductions in California, as provided in Section 44283.

(b) To be eligible, projects shall meet cost-effectiveness per ton of NO<sub>x</sub> reduced requirements of Section 44283.

(c) To be eligible, retrofits, repowers, and installation of add-on equipment for covered vehicles shall be performed, or new covered vehicles delivered to the end user, on or after the date the program is implemented.

(d) Retrofit technologies, new engines, and new vehicles shall be certified for sale or under experimental permit for operation in California.

(e) Repower projects that replace older, uncontrolled engines with new, emissions-certified engines or that replace emissions-certified engines with new engines certified to a more stringent NO<sub>x</sub> emissions standard are approvable subject to the other applicable selection criteria. The state board shall determine appropriate baseline emission levels for the uncontrolled engines being replaced.

(f) Retrofit and add-on equipment projects shall document a NO<sub>x</sub> emission reduction of at least 25 percent and no increase in particulate emissions compared to the applicable baseline emissions accepted by the state board for that engine year and application. The state board shall determine appropriate baseline emission levels. Acceptable documentation shall be defined by the state board. After study of available emission reduction technologies and after public notice and comment, the state board may revise the minimum percentage NO<sub>x</sub> reduction criterion for retrofits and add-on equipment provided for in this section to improve the ability of the program to achieve its goals.

(g) (1) For projects involving the purchase of new very low or zero-emission vehicles, engines shall be certified to an optional low NO<sub>x</sub> emissions standard established by the state board, except as provided for in paragraph (2).

(2) For projects involving the purchase of new very low or zero-emission covered vehicles for which no optional low NO<sub>x</sub> emission standards are available, documentation shall be provided showing that the low or zero-emission engine emits not more than 70 percent of the NO<sub>x</sub> or NO<sub>x</sub> plus hydrocarbon emissions of a new engine certified to the applicable baseline NO<sub>x</sub> or NO<sub>x</sub> plus hydrocarbon emission standard for that engine and meets applicable particulate standards. The state board shall specify the documentation required. If no baseline emission standard exists for new vehicles in a particular category, the state board shall determine an appropriate baseline emission level for comparison.

(h) This section shall become operative on January 1, 2015.



SEC. 9. Section 44283 of the Health and Safety Code is amended to read:

44283. (a) Grants shall not be made for projects with a cost-effectiveness, calculated in accordance with this section, of more than thirteen thousand six hundred dollars (\$13,600) per ton of NO<sub>x</sub> reduced in California. For projects obtaining reactive organic gas and particulate matter reductions, the state board shall determine appropriate adjustment factors to calculate a weighted cost-effectiveness.

(b) Only covered emission reductions occurring in this state shall be included in the cost-effectiveness determination. The extent to which emissions generated at sea contribute to air quality in California nonattainment areas shall be incorporated into these methodologies based on a reasonable assessment of currently available information and modeling assumptions.

(c) The state board shall develop protocols for calculating the surplus covered emission reductions in California from representative project types over the life of the project.

(d) The cost of the covered emission reduction is the amount of the grant from the program, including matching funds provided pursuant to subdivision (e) of Section 44287, plus any other state funds, or funds under the district's budget authority or fiduciary control, provided toward the project. The state board shall establish reasonable methodologies for evaluating project cost-effectiveness, consistent with the definition contained in paragraph (4) of subdivision (a) of Section 44275, and with accepted methods, taking into account a fair and reasonable discount rate or time value of public funds.

(e) A grant shall not be made that, net of taxes, provides the applicant with funds in excess of the incremental cost of the project. Incremental lease costs may be capitalized according to guidelines adopted by the state board so that these incremental costs may be offset by a one-time grant award.

(f) Funds under a district's budget authority or fiduciary control may be used to pay for the incremental cost of liquid or gaseous fuel, other than standard gasoline or diesel, which is integral to a covered emission reducing technology that is part of a project receiving grant funding under the program. The fuel shall be approved for sale by the state board. The incremental fuel cost over the expected lifetime of the vehicle may be offset by the district if the project as a whole, including the incremental fuel cost, meets all of the requirements of this chapter, including the maximum allowed cost-effectiveness. The state board shall develop an appropriate methodology for converting incremental fuel costs over the vehicle lifetime into an initial cost for the purposes of determining project cost-effectiveness. Incremental fuel costs may



not be included in project costs for fuels dispensed from any facility that was funded, in whole or in part, from the fund.

(g) For purposes of determining any grant amount pursuant to this chapter, the incremental cost of any new purchase, retrofit, repower, or add-on equipment shall be reduced by the value of any current financial incentive that directly reduces the project price, including any tax credits or deductions, grants, or other public financial assistance. Project proponents applying for funding shall be required to state in their application any other public financial assistance to the project.

(h) For projects that would repower offroad equipment by replacing uncontrolled diesel engines with new, certified diesel engines, the state board may establish maximum grant award amounts per repower. A repower project shall also be subject to the incremental cost maximum pursuant to subdivision (e).

(i) After study of available emission reduction technologies and costs and after public notice and comment, the state board may reduce the values of the maximum grant award criteria stated in this section to improve the ability of the program to achieve its goals. Every year the state board shall adjust the maximum cost-effectiveness amount established in subdivision (a) and any per-project maximum set by the state board pursuant to subdivision (h) to account for inflation.

(j) This section shall remain in effect only until January 1, 2015, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2015, deletes or extends that date.

SEC. 9.5. Section 44283 is added to the Health and Safety Code, to read:

44283. (a) Grants shall not be made for projects with a cost-effectiveness, calculated in accordance with this section, of more than twelve thousand dollars (\$12,000) per ton of NO<sub>x</sub> reduced in California.

(b) Only NO<sub>x</sub> reductions occurring in this state shall be included in the cost-effectiveness determination. The extent to which emissions generated at sea contribute to air quality in California nonattainment areas shall be incorporated into these methodologies based on a reasonable assessment of currently available information and modeling assumptions.

(c) The state board shall develop protocols for calculating the surplus NO<sub>x</sub> reductions in California from representative project types over the life of the project.

(d) The cost of the NO<sub>x</sub> reduction is the amount of the grant from the program, including matching funds provided pursuant to subdivision (e) of Section 44287, plus any other state funds, or funds under the district's budget authority or fiduciary control, provided toward the project. The



state board shall establish reasonable methodologies for evaluating project cost-effectiveness, consistent with the definition contained in subdivision (c) of Section 44275, and with accepted methods, taking into account a fair and reasonable discount rate or time value of public funds.

(e) A grant shall not be made that, net of taxes, provides the applicant with funds in excess of the incremental cost of the project. Incremental lease costs may be capitalized according to guidelines adopted by the state board so that these incremental costs may be offset by a one-time grant award.

(f) Funds under a district's budget authority or fiduciary control may be used to pay for the incremental cost of liquid or gaseous fuel, other than standard gasoline or diesel, which is integral to a NO<sub>x</sub> reducing technology that is part of a project receiving grant funding under the program. The fuel shall be approved for sale by the state board. The incremental fuel cost over the expected lifetime of the vehicle may be offset by the district if the project as a whole, including the incremental fuel cost, meets all of the requirements of this chapter, including the maximum allowed cost-effectiveness. The state board shall develop an appropriate methodology for converting incremental fuel costs over the vehicle lifetime into an initial cost for the purposes of determining project cost-effectiveness. Incremental fuel costs may not be included in project costs for fuels dispensed from any facility that was funded, in whole or in part, from the fund.

(g) For purposes of determining any grant amount pursuant to this chapter, the incremental cost of any new purchase, retrofit, repower, or add-on equipment shall be reduced by the value of any current financial incentive that directly reduces the project price, including any tax credits or deductions, grants, or other public financial assistance. Project proponents applying for funding shall be required to state in their application any other public financial assistance to the project.

(h) For projects that would repower offroad equipment by replacing uncontrolled diesel engines with new, certified diesel engines, the state board may establish maximum grant award amounts per repower. A repower project shall also be subject to the incremental cost maximum pursuant to subdivision (e).

(i) After study of available emission reduction technologies and costs and after public notice and comment, the state board may reduce the values of the maximum grant award criteria stated in this section to improve the ability of the program to achieve its goals. Every year the state board shall adjust the maximum cost-effectiveness amount established in subdivision (a) and any per-project maximum set by the state board pursuant to subdivision (h) to account for inflation.





(j) This section shall become operative on January 1, 2015.

SEC. 10. Section 44287 of the Health and Safety Code is amended to read:

44287. (a) The state board shall establish or update grant criteria and guidelines consistent with this chapter for covered vehicle projects as soon as practicable, but not later than January 1, 2006. The adoption of guidelines is exempt from the rulemaking provisions of the Administrative Procedure Act, Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. The state board shall solicit input and comment from the districts during the development of the criteria and guidelines and shall make every effort to develop criteria and guidelines that are compatible with existing district programs that are also consistent with this chapter. Guidelines shall include protocols to calculate project cost-effectiveness. The grant criteria and guidelines shall include safeguards to ensure that the project generates surplus emissions reductions. Guidelines shall enable and encourage districts to cofund projects that provide emissions reductions in more than one district. The state board shall make draft criteria and guidelines available to the public 45 days before final adoption, and shall hold at least one public meeting to consider public comments before final adoption. The state board may develop separate guidelines and criteria for the different types of eligible projects described in subdivision (a) of Section 44281.

(b) The state board, in consultation with the participating districts, may propose revisions to the criteria and guidelines established pursuant to subdivision (a) as necessary to improve the ability of the program to achieve its goals. A proposed revision shall be made available to the public 45 days before final adoption of the revision and the state board shall hold at least one public meeting to consider public comments before final adoption of the revision.

(c) The state board shall reserve funds for, and disburse funds to, districts from the fund for administration pursuant to this section and Section 44299.1.

(d) The state board shall develop guidelines for a district to follow in applying for the reservation of funds, in accordance with this chapter. It is the intent of the Legislature that district administration of any reserved funds be in accordance with the project selection criteria specified in Sections 44281, 44282, and 44283 and all other provisions of this chapter. The guidelines shall be established and published by the state board as soon as practicable, but not later than January 1, 2006.

(e) Funds shall be reserved by the state board for administration by a district that adopts an eligible program pursuant to this chapter and offers matching funds at a ratio of one dollar (\$1) of matching funds



committed by the district or the Mobile Source Air Pollution Reduction Review Committee for every two dollars (\$2) committed from the fund. Funds available to the Mobile Source Air Pollution Reduction Review Committee may be counted as matching funds for projects in the South Coast Air Basin only if the committee approves the use of these funds for matching purposes. Matching funds may be any funds under the district's budget authority that are committed to be expended in accordance with the program. Funds committed by a port authority or a local government, in cooperation with a district, to be expended in accordance with the program may also be counted as district matching funds. Matching funds provided by a port authority or a local government may not exceed 30 percent of the total required matching funds in any district that applies for more than three hundred thousand dollars (\$300,000) of the state board funds. Only a district, or a port authority or a local government teamed with a district, may provide matching funds.

(f) The state board may adjust the ratio of matching funds described in subdivision (e), if it determines that an adjustment is necessary in order to maximize the use of, or the air quality benefits provided by, the program, based on a consideration of the financial resources of the district.

(g) Notwithstanding subdivision (e), a district need not provide matching funds for state board funds allocated to the district for program outreach activities pursuant to paragraph (4) of subdivision (a) of Section 44299.1.

(h) A district may include within its matching funds a reasonable estimate of direct or in-kind costs for assistance in providing program outreach and application evaluation. In-kind and direct matching funds shall not exceed 15 percent of the total matching funds offered by a district. A district may also include within its matching funds any money spent on or after February 25, 1999, that would have qualified as matching funds but were not previously claimed as matching funds.

(i) A district desiring a reservation of funds shall apply to the state board following the application guidelines established pursuant to this section. The state board shall approve or disapprove a district application not later than 60 days after receipt. Upon approval of any district application, the state board shall simultaneously approve a reservation of funding for that district to administer. Reserved funds shall be disbursed to the district so that funding of a district-approved project is not impeded.

(j) Notwithstanding any other provision of this chapter, districts and the Mobile Source Air Pollution Reduction Review Committee shall not use funds collected pursuant to Section 41081 or Chapter 7



(commencing with Section 44220), or pursuant to Section 9250.11 of the Vehicle Code, as matching funds to fund a project with stationary or portable engines, locomotives, or marine vessels.

(k) Any funds reserved for a district pursuant to this section are available to the district for a period of not more than two years from the time of reservation. Funds not expended by June 30 of the second calendar year following the date of the reservation shall revert back to the state board as of that June 30, and shall be deposited in the Covered Vehicle Account established pursuant to Section 44299. The funds may then be redirected based on applications to the fund. Regardless of any reversion of funds back to the state board, the district may continue to request other reservations of funds for local administration. Each reservation of funds shall be accounted for separately, and unused funds from each application shall revert back to the state board as specified in this subdivision.

(l) The state board shall specify a date each year when district applications are due. If the eligible applications received in any year oversubscribe the available funds, the state board shall reserve funds on an allocation basis, pursuant to Section 44299.2. The state board may accept a district application after the due date for a period of months specified by the state board. Funds may be reserved in response to those applications, in accordance with this chapter, out of funds remaining after the original reservation of funds for the year.

(m) Guidelines for a district application shall require information from an applicant district to the extent necessary to meet the requirements of this chapter, but shall otherwise minimize the information required of a district.

(n) A district application shall be reviewed by the state board immediately upon receipt. If the state board determines that an application is incomplete, the applicant shall be notified within 10 working days with an explanation of what is missing from the application. A completed application fulfilling the criteria shall be approved as soon as practicable, but not later than 60 working days after receipt.

(o) The commission, in consultation with the districts, shall establish project approval criteria and guidelines for infrastructure projects consistent with Section 44284 as soon as practicable, but not later than February 15, 2000. The commission shall make draft criteria and guidelines available to the public 45 days before final adoption, and shall hold at least one public meeting to consider public comments before final adoption.

(p) The commission, in consultation with the participating districts, may propose revisions to the criteria and guidelines established pursuant



to subdivision (o) as necessary to improve the ability of the program to achieve its goals. A revision may be proposed at any time, or may be proposed in response to a finding made in the annual report on the program published by the state board pursuant to Section 44295. A proposed revision shall be made available to the public 45 days before final adoption of the revision and the commission shall hold at least one public meeting to consider public comments before final adoption of the revision.

(q) Unclaimed funds will be allocated by the state board in accordance with Section 44299.2.

(r) This section shall remain in effect only until January 1, 2015, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2015, deletes or extends that date.

SEC. 10.5. Section 44287 is added to the Health and Safety Code, to read:

44287. (a) The state board shall establish grant criteria and guidelines consistent with this chapter for covered vehicle projects as soon as practicable, but not later than January 1, 2000. The adoption of guidelines is exempt from the rulemaking provisions of the Administrative Procedure Act, Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. The state board shall solicit input and comment from the districts during the development of the criteria and guidelines and shall make every effort to develop criteria and guidelines that are compatible with existing district programs that are also consistent with this chapter. Guidelines shall include protocols to calculate project cost-effectiveness. The grant criteria and guidelines shall include safeguards to ensure that the project generates surplus emissions reductions. Guidelines shall enable and encourage districts to cofund projects that provide emissions reductions in more than one district. The state board shall make draft criteria and guidelines available to the public 45 days before final adoption, and shall hold at least one public meeting to consider public comments before final adoption.

(b) The state board, in consultation with the participating districts, may propose revisions to the criteria and guidelines established pursuant to subdivision (a) as necessary to improve the ability of the program to achieve its goals. A proposed revision shall be made available to the public 45 days before final adoption of the revision and the state board shall hold at least one public meeting to consider public comments before final adoption of the revision.

(c) The state board shall reserve funds for, and disburse funds to, districts from the fund for administration pursuant to this section and Section 44299.1.



(d) The state board shall develop guidelines for a district to follow in applying for the reservation of funds, in accordance with this chapter. It is the intent of the Legislature that district administration of any reserved funds be in accordance with the project selection criteria specified in Sections 44281, 44282, and 44283 and all other provisions of this chapter. The guidelines shall be established and published by the state board as soon as practicable, but not later than January 1, 2000.

(e) Funds shall be reserved by the state board for administration by a district that adopts an eligible program pursuant to this chapter and offers matching funds at a ratio of one dollar (\$1) of matching funds committed by the district or the Mobile Source Air Pollution Reduction Review Committee for every two dollars (\$2) committed from the fund. Funds available to the Mobile Source Air Pollution Reduction Review Committee may be counted as matching funds for projects in the South Coast Air Basin only if the committee approves the use of these funds for matching purposes. Matching funds may be any funds under the district's budget authority that are committed to be expended in accordance with the program. Funds committed by a port authority or a local government, in cooperation with a district, to be expended in accordance with the program may also be counted as district matching funds. Matching funds provided by a port authority or a local government may not exceed 30 percent of the total required matching funds in any district that applies for more than three hundred thousand dollars (\$300,000) of the state board funds. Only a district, or a port authority or a local government teamed with a district, may provide matching funds.

(f) The state board may adjust the ratio of matching funds described in subdivision (e), if it determines that an adjustment is necessary in order to maximize the use of, or the air quality benefits provided by, the program, based on a consideration of the financial resources of the district.

(g) Notwithstanding subdivision (e), a district need not provide matching funds for state board funds allocated to the district for program outreach activities pursuant to paragraph (4) of subdivision (a) of Section 44299.1.

(h) A district may include within its matching funds a reasonable estimate of direct or in-kind costs for assistance in providing program outreach and application evaluation. In-kind and direct matching funds shall not exceed 15 percent of the total matching funds offered by a district. A district may also include within its matching funds any money spent on or after February 25, 1999, that would have qualified as matching funds but were not previously claimed as matching funds.



(i) A district desiring a reservation of funds shall apply to the state board following the application guidelines established pursuant to this section. The state board shall approve or disapprove a district application not later than 60 days after receipt. Upon approval of any district application, the state board shall simultaneously approve a reservation of funding for that district to administer. Reserved funds shall be disbursed to the district so that funding of a district-approved project is not impeded.

(j) Notwithstanding any other provision of this chapter, districts and the Mobile Source Air Pollution Reduction Review Committee shall not use funds collected pursuant to Section 41081 or Chapter 7 (commencing with Section 44220), or pursuant to Section 9250.11 of the Vehicle Code, as matching funds to fund a project with stationary or portable engines, locomotives, or marine vessels.

(k) Any funds reserved for a district pursuant to this section are available to the district for a period of not more than two years from the time of reservation. Funds not expended by June 30 of the second calendar year following the date of the reservation shall revert back to the state board as of that June 30, and shall be deposited in the Covered Vehicle Account established pursuant to Section 44299. The funds may then be redirected based on applications to the fund. Regardless of any reversion of funds back to the state board, the district may continue to request other reservations of funds for local administration. Each reservation of funds shall be accounted for separately, and unused funds from each application shall revert back to the state board as specified in this subdivision.

(l) The state board shall specify a date each year when district applications are due. If the eligible applications received in any year oversubscribe the available funds, the state board shall reserve funds on an allocation basis, pursuant to subdivision (b) of Section 44299.1. The state board may accept a district application after the due date for a period of months specified by the state board. Funds may be reserved in response to those applications, in accordance with this chapter, out of funds remaining after the original reservation of funds for the year.

(m) Guidelines for a district application shall require information from an applicant district to the extent necessary to meet the requirements of this chapter, but shall otherwise minimize the information required of a district.

(n) A district application shall be reviewed by the state board immediately upon receipt. If the state board determines that an application is incomplete, the applicant shall be notified within 10 working days with an explanation of what is missing from the application. A completed application fulfilling the criteria shall be



approved as soon as practicable, but not later than 60 working days after receipt.

(o) The state board, in consultation with the districts, shall establish project approval criteria and guidelines for infrastructure projects consistent with Section 44284 as soon as practicable, but not later than February 15, 2000. The commission shall make draft criteria and guidelines available to the public 45 days before final adoption, and shall hold at least one public meeting to consider public comments before final adoption.

(p) The state board, in consultation with the participating districts, may propose revisions to the criteria and guidelines established pursuant to subdivision (o) as necessary to improve the ability of the program to achieve its goals. A revision may be proposed at any time, or may be proposed in response to a finding made in the annual report on the program published by the state board pursuant to Section 44295. A proposed revision shall be made available to the public 45 days before final adoption of the revision and the commission shall hold at least one public meeting to consider public comments before final adoption of the revision.

(q) This section shall become operative on January 1, 2015.

SEC. 11. Section 44299.1 of the Health and Safety Code is amended to read:

44299.1. (a) To ensure that emission reductions are obtained as needed from pollution sources, any money deposited in or appropriated to the fund shall be segregated and administered as follows:

(1) Not more than 2 percent of the moneys in the fund shall be allocated to program support and outreach costs incurred by the state board and the commission directly associated with implementing the program pursuant to this chapter. These funds shall be allocated to the state board and the commission in proportion to total program funds administered by the state board and the commission.

(2) Not more than 2 percent of the moneys in the fund shall be allocated to direct program outreach activities. The state board may use these funds for program outreach contracts or may allocate outreach funds to participating air districts in proportion to each district's allocation from the Covered Vehicle Account. The state board shall report on the use of outreach funds in their reports to the Legislature pursuant to Section 44295.

(3) The balance shall be deposited in the Covered Vehicle Account to be expended to offset added costs of new very low or zero-emission vehicle technologies, and emission reducing repowers, retrofits, and add-on equipment for covered vehicles and engines, and other projects specified in Section 44281.





(b) Funds in the Covered Vehicle Account shall be allocated to a district that submits an eligible application to the state board pursuant to Section 44287. The state board shall determine the maximum amount of annual funding from the Covered Vehicle Account that each district may receive. This determination shall be based on the population in each district as well as the relative importance of obtaining covered emission reductions in each district, specifically through the program.

(c) This section shall remain in effect only until January 1, 2015, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2015, deletes or extends that date.

SEC. 11.5. Section 44299.1 is added to the Health and Safety Code, to read:

44299.1. (a) To ensure that emission reductions are obtained as needed from pollution sources, any money deposited in or appropriated to the fund shall be segregated and administered as follows:

(1) Ten percent, not to exceed two million dollars (\$2,000,000), shall be allocated to the Infrastructure Demonstration Project to be used pursuant to Section 44284.

(2) Ten percent shall be deposited in the Advanced Technology Account to be used to support research, development, demonstration, and commercialization of advanced low-emission technologies for covered sources that show promise of contributing to the goals of the program.

(3) Not more than 2 percent of the moneys in the fund shall be allocated to program support and outreach costs incurred by the state board and the commission directly associated with implementing the program pursuant to this chapter. These funds shall be allocated to the state board and the commission in proportion to total program funds administered by the state board and the commission.

(4) Not more than 2 percent of the moneys in the fund shall be allocated to direct program outreach activities. The state board may use these funds for program outreach contracts or may allocate outreach funds to participating air districts in proportion to each district's allocation from the Covered Vehicle Account. The state board shall report on the use of outreach funds in their reports to the Legislature pursuant to Section 44295.

(5) The balance shall be deposited in the Covered Vehicle Account to be expended to offset added costs of new very low or zero-emission vehicle technologies, and emission reducing repowers, retrofits, and add-on equipment for covered vehicles and engines.

(b) Funds in the Covered Vehicle Account shall be allocated to a district that submits an eligible application to the state board pursuant to Section 44287. The state board shall determine the maximum amount



of annual funding from the Covered Vehicle Account that each district may receive. This determination shall be based on the population in each district as well as the relative importance of obtaining NO<sub>x</sub> reductions in each district, specifically through the program.

(c) This section shall become operative on January 1, 2015.

SEC. 12. Section 44299.2 is added to the Health and Safety Code, to read:

44299.2. Funds shall be allocated to local air pollution control and air quality management districts, and shall be subject to administrative terms and conditions as follows:

(a) Available funds shall be distributed to districts taking into consideration the population of the area, the severity of the air quality problems experienced by the population, and the historical allocation of the Carl Moyer Memorial Air Quality Standards Attainment Trust Fund, except that the South Coast Air Quality Management District shall be allocated a percentage of the total funds available to districts that is proportional to the percentage of the total state population residing within the jurisdictional boundaries of that district. For the purposes of this subdivision, population shall be determined by the state board based on the most recent data provided by the Department of Finance. The allocation to the South Coast Air Quality Management District shall be subtracted from the total funds available to districts. Each district, except the South Coast Air Quality Management District, shall be awarded a minimum allocation of two hundred thousand dollars (\$200,000), and the remainder, which shall be known as the “allocation amount,” shall be allocated to all districts as follows:

(1) The state board shall distribute 30 percent of the allocation amount to the districts in proportion to the percentage of the total residual state population that resides within each district’s boundaries. For purposes of this paragraph, “total residual state population” means the total state population, less the total population that resides within the South Coast Air Quality Management District.

(2) The state board shall distribute 30 percent of the allocation amount to the districts in proportion to the severity of the air quality problems to which each district’s population is exposed. The severity of the exposure shall be calculated as follows:

(A) Each district shall be awarded severity points based on the district’s attainment designation and classification, as most recently promulgated by the federal Environmental Protection Agency for the National Ambient Air Quality Standard for ozone averaged over eight hours, as follows:

(i) A district that is designated attainment for the federal eight-hour ozone standard shall be awarded one point.



(ii) A district that is designated nonattainment for the federal eight hour ozone standard shall be awarded severity points based on classification. Two points shall be awarded for transitional, basic, or marginal classifications, three points for moderate classification, four points for serious classification, five points for severe classification, six points for severe-17 classification, and seven points for extreme classification.

(B) Each district shall be awarded severity points based on the district's attainment designation and classification for the National Ambient Air Quality Standard for particulate matter, averaged annually, as follows:

(i) A district that is designated attainment for the federal annual particulate-matter-standard shall be awarded one point.

(ii) A district that is designated nonattainment for the federal annual particulate-matter-standard shall be awarded severity points based on classification. Two points shall be awarded for moderate classification, three points awarded for serious classification where one-third or less of the contributing emissions is secondary particulate formed from non-dust precursors, and four points for serious classification where more than one-third of the contributing emissions is secondary particulate formed from non-dust precursors.

(C) The points awarded under subparagraphs (A) and (B), shall be added together for each district, and the total shall be multiplied by the population residing within the district boundaries, to yield the local air quality exposure index.

(D) The local air quality exposure index for each district shall be summed together to yield a total state exposure index. Funds shall be allocated under this paragraph to each district in proportion to its local air quality exposure index divided by the total state exposure index.

(3) The state board shall distribute 40 percent of the allocation amount to the districts in proportion to the allocation of funds from the Carl Moyer Memorial Air Quality Standards Attainment Trust Fund, as follows:

(A) Because each district is awarded a minimum allocation pursuant to subdivision (a), there shall be no additional minimum allocation from the Carl Moyer historical allocation funds. The total amount allocated in this way shall be subtracted from total funding previously awarded to the district under the Carl Moyer Memorial Air Quality Standards Attainment Program, and the remainder, which shall be known as directed funds, shall be allocated pursuant to subparagraph (B).

(B) Each district with a population that is greater than or equal to 1 percent of the state's population shall receive an additional allocation based on the population of the district and the district's relative share of



emission reduction commitments in the State Implementation Plan to attain the National Ambient Air Quality Standard for ozone averaged over one hour. This additional allocation shall be calculated as a percentage share of the directed funds for each district, derived using a ratio of each district's share amount to the base amount, which shall be calculated as follows:

(i) The base amount shall be the total Carl Moyer program funds allocated by the state board to the districts in the 2002–03 fiscal year, less the total of the funds allocated through the minimum allocation to each district in the 2002–03 fiscal year.

(ii) The share amount shall be the allocation that each district received in the 2002–03 fiscal year, not including the minimum allocation. There shall be one share amount for each district.

(iii) The percentage share shall be calculated for each district by dividing the district's share amount by the base amount, and multiplying the result by the total directed funds available under this subparagraph.

(b) Funds shall be distributed as expeditiously as reasonably practicable, and a report of the distribution shall be made available to the public.

(c) All funds allocated pursuant to this section shall be expended as provided in the guidelines adopted pursuant to Section 44287 within two years from the date of allocation. Funds not expended within the two years shall be returned to the Covered Vehicle Account within 60 days and shall be subject to further allocation as follows:

(1) Within 30 days of the deadline to return funds, the state board shall notify the districts of the total amount of returned funds available for reallocation, and shall list those districts that request supplemental funds from the reallocation and that are able to expend those funds within one year.

(2) Within 90 days of the deadline to return funds, the state board shall allocate the returned funds to the districts listed pursuant to paragraph (1).

(3) All supplemental funds distributed under this subdivision shall be expended consistent with the Carl Moyer Air Quality Standards Attainment Program within one year of the date of supplemental allocation. Funds not expended within one year shall be returned to the Covered Vehicle Account and shall be distributed at the discretion of the state board to districts, taking into consideration of each district's ability to expeditiously utilize the remaining funds consistent with the Carl Moyer Air Quality Standards Attainment Program.

(d) This section shall remain in effect only until January 1, 2015, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2015, deletes or extends that date.



SEC. 13. Section 42885 of the Public Resources Code is amended to read:

42885. (a) For purposes of this section, “California tire fee” means the fee imposed pursuant to this section.

(b) (1) (A) Every person who purchases a new tire, as defined in subdivision (g), shall pay a California tire fee of one dollar (\$1.00) per tire.

(B) On or after January 1, 2005, every person who purchases a new tire, as defined in subdivision (g), shall pay a California tire fee of one dollar and seventy-five cents (\$1.75) per tire.

(C) On and after January 1, 2007, every person who purchases a new tire, as defined in subdivision (g), shall pay a California tire fee of one dollar and fifty cents (\$1.50) per tire.

(2) The retail seller shall charge the retail purchaser the amount of the California tire fee as a charge that is separate from, and not included in, any other fee, charge, or other amount paid by the retail purchaser.

(3) The retail seller shall collect the California tire fee from the retail purchaser at the time of sale and may retain 1½ percent of the fee as reimbursement for any costs associated with the collection of the fee. The retail seller shall remit the remainder to the state on a quarterly schedule for deposit in the California Tire Recycling Management Fund, which is hereby created in the State Treasury.

(c) The board, or its agent authorized pursuant to Section 42882, shall be reimbursed for its costs of collection, auditing, and making refunds associated with the California Tire Recycling Management Fund, but not to exceed 3 percent of the total annual revenue deposited in the fund.

(d) The California tire fee imposed pursuant to subdivision (a) shall be separately stated by the retail seller on the invoice given to the customer at the time of sale. Any other disposal or transaction fee charged by the retail seller related to the tire purchase shall be identified separately from the California tire fee.

(e) Any person or business who knowingly, or with reckless disregard, makes any false statement or representation in any document used to comply with this section is liable for a civil penalty for each violation or, for continuing violations, for each day that the violation continues. Liability under this section may be imposed in a civil action and shall not exceed twenty-five thousand dollars (\$25,000) for each violation.

(f) In addition to the civil penalty that may be imposed pursuant to subdivision (e), the board may impose an administrative penalty in an amount not to exceed five thousand dollars (\$5,000) for each violation of a separate provision or, for continuing violations, for each day that the violation continues, on any person who intentionally or negligently

violates any permit, rule, regulation, standard, or requirement issued or adopted pursuant to this chapter. The board shall adopt regulations that specify the amount of the administrative penalty and the procedure for imposing an administrative penalty pursuant to this subdivision.

(g) For purposes of this section, “new tire” means a pneumatic or solid tire intended for use with on-road or off-road motor vehicles, motorized equipment, construction equipment, or farm equipment that is sold separately from the motorized equipment, or a new tire sold with a new or used motor vehicle, as defined in Section 42803.5, including the spare tire, construction equipment, or farm equipment. “New tire” does not include retreaded, reused, or recycled tires.

(h) The California tire fee may not be imposed on any tire sold with, or sold separately for use on, any of the following:

(1) Any self-propelled wheelchair.

(2) Any motorized tricycle or motorized quadricycle, as defined in Section 407 of the Vehicle Code.

(3) Any vehicle that is similar to a motorized tricycle or motorized quadricycle and is designed to be operated by a person who, by reason of the person’s physical disability, is otherwise unable to move about as a pedestrian.

(i) This section shall remain in effect only until January 1, 2015, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2015, deletes or extends that date.

SEC. 13.5. Section 42885 is added to the Public Resources Code, to read:

42885. (a) For purposes of this section, “California tire fee” means the fee imposed pursuant to this section.

(b) (1) Every person who purchases a new tire, as defined in subdivision (g), shall pay a California tire fee of seventy-five cents (\$0.75) per tire.

(2) The retail seller shall charge the retail purchaser the amount of the California tire fee as a charge that is separate from, and not included in, any other fee, charge, or other amount paid by the retail purchaser.

(3) The retail seller shall collect the California tire fee from the retail purchaser at the time of sale and may retain 3 percent of the fee as reimbursement for any costs associated with the collection of the fee. The retail seller shall remit the remainder to the state on a quarterly schedule for deposit in the California Tire Recycling Management Fund, which is hereby created in the State Treasury.

(c) The board, or its agent authorized pursuant to Section 42882, shall be reimbursed for its costs of collection, auditing, and making refunds associated with the California Tire Recycling Management Fund, but not to exceed 3 percent of the total annual revenue deposited in the fund.

(d) The California tire fee imposed pursuant to subdivision (a) shall be separately stated by the retail seller on the invoice given to the customer at the time of sale. Any other disposal or transaction fee charged by the retail seller related to the tire purchase shall be identified separately from the California tire fee.

(e) Any person or business who knowingly, or with reckless disregard, makes any false statement or representation in any document used to comply with this section is liable for a civil penalty for each violation or, for continuing violations, for each day that the violation continues. Liability under this section may be imposed in a civil action and shall not exceed twenty-five thousand dollars (\$25,000) for each violation.

(f) In addition to the civil penalty that may be imposed pursuant to subdivision (e), the board may impose an administrative penalty in an amount not to exceed five thousand dollars (\$5,000) for each violation of a separate provision or, for continuing violations, for each day that the violation continues, on any person who intentionally or negligently violates any permit, rule, regulation, standard, or requirement issued or adopted pursuant to this chapter. The board shall adopt regulations that specify the amount of the administrative penalty and the procedure for imposing an administrative penalty pursuant to this subdivision.

(g) For purposes of this section, “new tire” means a pneumatic or solid tire intended for use with on-road or off-road motor vehicles, motorized equipment, construction equipment, or farm equipment that is sold separately from the motorized equipment, or a new tire sold with a new or used motor vehicle, as defined in Section 42803.5, including the spare tire, construction equipment, or farm equipment. “New tire” does not include retreaded, reused, or recycled tires.

(h) The California tire fee may not be imposed on any tire sold with, or sold separately for use on, any of the following:

(1) Any self-propelled wheelchair.

(2) Any motorized tricycle or motorized quadricycle, as defined in Section 407 of the Vehicle Code.

(3) Any vehicle that is similar to a motorized tricycle or motorized quadricycle and is designed to be operated by a person who, by reason of the person’s physical disability, is otherwise unable to move about as a pedestrian.

(i) This section shall become operative on January 1, 2015.

SEC. 14. Section 42889 of the Public Resources Code is amended to read:

42889. (a) (1) Commencing January 1, 2005, and until December 31, 2006, of the moneys collected pursuant to Section 42885, an amount equal to seventy-five cents (\$0.75) per tire on which the fee is imposed



shall be transferred by the State Board of Equalization to the Air Pollution Control Fund. The state board shall expend those moneys, or allocate those moneys to the districts for expenditure, to fund programs and projects that mitigate or remediate air pollution caused by tires in the state, to the extent that the state board or the applicable district determines that the program or project remediates air pollution harms created by tires upon which the fee described in Section 42885 is imposed.

(2) Commencing January 1, 2007, of the moneys collected pursuant to Section 42885, an amount equal to fifty cents (\$0.50) per tire on which the fee is imposed shall be transferred by the State Board of Equalization to the Air Pollution Control Fund for expenditure by the state board as described in paragraph (1).

(b) The remaining moneys collected pursuant to Section 42885 shall be used to fund the waste tire program, and shall be appropriated to the board in the annual Budget Act in a manner consistent with the five-year plan adopted and updated by the board. These moneys shall be expended for the payment of refunds under this chapter and for the following purposes:

(1) To pay the administrative overhead cost of this chapter, not to exceed 6 percent of the total revenue deposited in the fund annually, or an amount otherwise specified in the annual Budget Act.

(2) To pay the costs of administration associated with collection, making refunds, and auditing revenues in the fund, not to exceed 3 percent of the total revenue deposited in the fund, as provided in subdivision (b) of Section 42885.

(3) To pay the costs associated with operating the tire recycling program specified in Article 3 (commencing with Section 42870).

(4) To pay the costs associated with the development and enforcement of regulations relating to the storage of waste tires and used tires. The board shall consider designating a city, county, or city and county as the enforcement authority of regulations relating to the storage of waste tires and used tires, as provided in subdivision (c) of Section 42850. If the board designates a local entity for that purpose, the board shall provide sufficient, stable, and noncompetitive funding to that entity for that purpose, based on available resources, as provided in the five-year plan adopted and updated as provided in subdivision (a) of Section 42855.5. The board may consider and create, as appropriate, financial incentives for citizens who report the illegal hauling or disposal of waste tires as a means of enhancing local and statewide waste tire and used tire enforcement programs.

(5) To pay the costs of cleanup, abatement, removal, or other remedial action related to waste tire stockpiles throughout the state, including all



approved costs incurred by other public agencies involved in these activities by contract with the board. Not less than six million five hundred thousand dollars (\$6,500,000) shall be expended by the board during each of the following fiscal years for this purpose: 2001–02 to 2006–07, inclusive.

(6) To make studies and conduct research directed at promoting and developing alternatives to the landfill disposal of waste tires.

(7) To assist in developing markets and new technologies for used tires and waste tires. The board's expenditure of funds for purposes of this subdivision shall reflect the priorities for waste management practices specified in subdivision (a) of Section 40051.

(8) To pay the costs associated with implementing and operating a waste tire and used tire hauler program and manifest system pursuant to Chapter 19 (commencing with Section 42950).

(9) To pay the costs to create and maintain an emergency reserve, which shall not exceed one million dollars (\$1,000,000).

(10) To pay the costs of cleanup, abatement, or other remedial action related to the disposal of waste tires in implementing and operating the Farm and Ranch Solid Waste Cleanup and Abatement Grant Program established pursuant to Chapter 2.5 (commencing with Section 48100) of Part 7.

(c) This section shall remain in effect only until January 1, 2015, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2015, deletes or extends that date.

SEC. 14.5. Section 42889 is added to the Public Resources Code, to read:

42889. Funding for the waste tire program shall be appropriated to the board in the annual Budget Act. The moneys in the fund shall be expended for the payment of refunds under this chapter and for the following purposes:

(a) To pay the administrative overhead cost of this chapter, not to exceed 5 percent of the total revenue deposited in the fund annually, or an amount otherwise specified in the annual Budget Act.

(b) To pay the costs of administration associated with collection, making refunds, and auditing revenues in the fund, not to exceed 3 percent of the total revenue deposited in the fund, as provided in subdivision (b) of Section 42885.

(c) To pay the costs associated with operating the tire recycling program specified in Article 3 (commencing with Section 42870).

(d) To pay the costs associated with the development and enforcement of regulations relating to the storage of waste tires and used tires. The board shall consider designating a city, county, or city and county as the enforcement authority of regulations relating to the storage



of waste tires and used tires, as provided in subdivision (c) of Section 42850. If the board designates a local entity for that purpose, the board shall provide sufficient, stable, and noncompetitive funding to that entity for that purpose, based on available resources, as provided in the five-year plan adopted and updated as provided in subdivision (a) of Section 42855.5. The board may consider and create, as appropriate, financial incentives for citizens who report the illegal hauling or disposal of waste tires as a means of enhancing local and statewide waste tire and used tire enforcement programs.

(e) To pay the costs of cleanup, abatement, removal, or other remedial action related to waste tire stockpiles throughout the state, including all approved costs incurred by other public agencies involved in these activities by contract with the board. Not less than six million five hundred thousand dollars (\$6,500,000) shall be expended by the board during each of the following fiscal years for this purpose: 2001–02 to 2006–07, inclusive.

(f) This section shall become operative on January 1, 2015.

SEC. 15. Section 9250.2 of the Vehicle Code is amended to read:

9250.2. (a) The department, if requested by the Sacramento Metropolitan Air Quality Management District pursuant to Section 41081 of the Health and Safety Code, shall impose and collect a surcharge on the registration fees for every motor vehicle registered in that district, not to exceed the amount of six dollars (\$6), as specified by the governing body of that district.

(b) This section shall remain in effect only until January 1, 2015, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2015, deletes or extends that date.

SEC. 15.5. Section 9250.2 is added to the Vehicle Code, to read:

9250.2. (a) The department, if requested by the Sacramento Metropolitan Air Quality Management District pursuant to Section 41081 of the Health and Safety Code, shall impose and collect a surcharge on the registration fees for every motor vehicle registered in that district, not to exceed either of the following amounts, whichever is applicable, as specified by the governing body of that district:

(1) For each motor vehicle registered in that district whose registration expires on or after December 31, 1989, and prior to December 31, 1990, two dollars (\$2).

(2) For each motor vehicle registered in that district whose registration expires on or after December 31, 1990, not to exceed four dollars (\$4).

(b) This section shall become operative on January 1, 2015.

